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ARGUMENT

Metro Diplomacy

The State Department is engaging the world's growing cities like never before.

A top U.S. diplomat explains why.

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Booming cities are driving global economic growth in many parts of the world. We live in an age of extraordinarily rapid urbanization: The number of people living in cities is predicted to grow by more than 2.5 billion over the next 40 years -- mostly in emerging countries such as China, India, Brazil, Indonesia, Nigeria, and Mexico. Much of this growth will occur in places that were small towns or modestly-sized cities only a few years ago, but are now on the way to becoming much larger than New York or Los Angeles.

To take advantage of this dramatic change in the world's largest emerging countries, U.S. international economic policy must undergo an equally dramatic change. The State Department has launched several new initiatives to increase our understanding of, and engagement with, these new hubs of economic growth and innovation. Our goal is to strengthen ties with key political and business leaders in a widening number of growing metropolitan centers -- we can no longer focus only on capitals or a few traditional business centers. (Many of the cities we are focusing on are highlighted in the McKinsey Global Institute's recent report on these growing cities and "the rise of the consuming class.")

How well these cities cope with the challenges of urbanization will have a profound impact on the political, economic, and social stability of their countries. For growing urban areas, infrastructure is a top priority -- energy-efficient buildings and transportation, modern airports, advanced power facilities, new harbors, and 21st century telecommunications. U.S. businesses have enormous expertise in these areas, and can play a highly constructive role in helping these cities meet their needs. The growth of such sectors in these cities presents huge opportunities for our firms -- large multinationals as well as small and medium sized companies. And American officials are offering them our strong support.

U.S. officials are also actively encouraging growing cities and provinces to vigorously protect intellectual property, avoid discriminatory procurement practices, and ensure that investment rules are fair and transparent. Such reforms would enable them to improve their business environments -- as well as significantly strengthen opportunities for U.S. companies. If these cities and provinces are to be able to compete successfully for more international investment, particularly in innovative industries, their business climates will need to achieve high standards and they will need to encourage their national governments to achieve high standards as well.

Moreover, as cities gain greater economic power, they will also gain greater political power. Indeed, many of today's local leaders will be tomorrow's national leaders. For example, a large portion of China's new leadership previously held high-level provincial jobs, and Mexican President Enrique Pena Nieto earlier served as governor of the state of Mexico. Thus, influencing leaders of emerging cities, states and provinces to adopt better economic practices now -- based on market-oriented rules and norms -- could result in better national practices over time.

To more fully understand this urbanization phenomenon, I make a point of visiting rising metropolises on my travels. On my last trip to China, I went to Hefei (a city of 3.4 million people) and Nanjing (7.2 million). In both cities, I engaged provincial and municipal officials on a range of economic issues similar in nature to those I discussed at the national level -- the need to ensure a level playing field for investors, the importance of strong intellectual property rights

protection, avoiding discrimination in government procurement, cooperation on anti-pollution and clean energy initiatives, and collaboration with American educational institutions. In Hefei, I also visited one of our "eco-partnerships" -- a venture between the Hefei University of Science and Technology and the Ohio State University to develop electric vehicle technologies. During my recent trips to India, in addition to spending time in New Delhi and Mumbai, I also visited two other rapidly growing cities -- Chennai (a city of 4.6 million people) and Agra (1.7 million).

The State Department is playing a key role in enlarging the multi-level, sub-national dimension of our international economic policy, but we know that the most dynamic part of this effort will not come from Washington. Instead, the broadest and deepest engagement will come from intensified interaction between leaders of America's cities and states and their counterparts in emerging countries. Many of our mayors and governors have been actively engaged for years, frequently leading large business delegations to promote export opportunities and emphasize the advantages their cities and states offer for foreign investment.

To further these efforts, we have launched a U.S.-China Governors Forum to enable our governors to increase cooperation with their Chinese counterparts. We also have facilitated visits by chief ministers and trade delegations of Indian states to the United States and supported trips by U.S. governors to India. And during the third U.S.-India Strategic Dialogue in June 2012, both sides agreed that a "conversation between cities" should take place this year to accelerate efforts to address urban challenges of the 21st century. The State Department's special representative for Global Intergovernmental Affairs has energetically led this effort as well as sub-national dialogues in other important countries.

In addition to exchanges, we are connecting American businesses directly to our ambassadors and country teams in emerging economies. For example, our "Direct Line to American Business" facilitates conference calls between U.S. business leaders and American embassies to discuss commercial opportunities on a country-by-country basis.

Local leaders from the United States and those from emerging nations can learn from one another by sharing experiences in such areas as urban design, transportation efficiency, and innovative environmental solutions. Many already participate in the C40, a global initiative led by New York City Mayor Michael Bloomberg to curb carbon emissions.

The bottom line is that booming urbanization abroad provides enormous opportunities for American business. Our embassies, consulates, and officials in Washington are helping U.S. companies engage with rapidly growing cities, states, and provinces. And we in the State Department, along with our colleagues in the Commerce Department and other agencies, are working with America's mayors and governors as they seek to establish new economic relationships. These efforts will not only strengthen the American economy, they will also broaden and deepen ties between these countries and the United States.